CHAPTER ELEVEN

MONEY'S WORTH
Morality, class, politics

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In 1819 Robert Peel posed what might have been the most frequently repeated rhetorical question of the nineteenth century, when he asked, in the midst of a parliamentary debate over the resumption of cash payments by the Bank of England: 'What is a pound?'.[1] After citing the confusion that this question had caused for John Locke and Isaac Newton in an earlier era of monetary controversy, Peel reached the apparently straightforward conclusion that a pound was 'a definite quantity of gold bullion . . . with an impression on it denoting it to be of a certain weight and of a certain fineness'. He added that requiring the bank to exchange gold for its paper currency would restore to Britain its 'ancient and permanent standard of value' (cited in Smart 1910: 678–79). Although few Victorians doubted that a pound signified 'a definite quantity of gold bullion', they kept repeating Peel's question because it enabled them to ask a series of related questions about how gold worked, or failed to work, in British culture. This essay recounts their persistent efforts to figure out what their money was worth in light of Britain's changing status within the global economy; and traces evidence of their love–hate relationship with money in the realms of morality and social class.

In all three domains of morality, social class, and politics, Victorians determined the worth of money by transmuting a cluster of contradictions into a conservative celebration of wealth and power. Morally, money sat precariously between the sacred and the profane: bankers and politicians defended the sacrosanct nature of gold as a basis of value, even as evangelicals and radicals condemned society's worship of mammon. Socially, money went from being a largely local means of exchange to being a symbol of national greatness by the end of the nineteenth century, reinforced by financial institutions that consistently refined credit's reproductive powers even as they periodically brought the economy to the brink of ruin. In the realm of politics, Britons lined up behind the gold standard's alleged ability to stabilize the economy, conveniently overlooking the mixed effects produced by decades of deflation and the vulnerable position that a strong pound recurrently imposed on their trading partners. Without necessarily intending to do so, moral outrage about money and its associated vices – most famously vented by John Ruskin and Thomas Carlyle – made it easier for most Victorians to live with money's contradictory tendencies at the level of class and politics, by diverting their attention from institutions to individuals. The personal vices of avarice, idolatry, and speculation emerged as immoral exceptions to the rule, which explained away the underside of Britain's ascent as a world economic power.

MAMMON-WORSHIP: MONEY AND MORALITY

Victorians, besides being famously commercial, were famously moral. And money, besides being the engine of Victorian prosperity, was famously the root of all evil. This combination of loving and loathing money reflected a deeper ambivalence about capitalism, which anguished moralists with its potential for indiscipline even as it mapped out a virtuous path for the achievement of reward (Wiener 1993). The gold standard helped square this circle by allying money with discipline; but money more generally, especially once its ambit expanded to include various forms of credit, reintroduced a dangerous element of excess. And even on its own, gold was as likely to denote avarice or idolatry as to betoken honour or virtue – especially when the rising tide of evangelical Christianity added its weighty ballast to the scale. The Scottish clergyman William Tweedie observed in 1855 that 'we must extract a large portion of the Bible if we would really set forth its teaching on the use and abuse of money' (Tweedie 1855: 52) – and several generations of Victorians did exactly that.

Writing about the eighteenth century, the historian Deborah Valenze has claimed that the 'detoxification' of money was well under way by that century's end, as moralists found cause to focus on its redemptive capacity, and shifted their chagrin from money itself to its abuse. Money, she argues, became a measure of status, a judicial incentive (in the form of rewards for wanted criminals), and a vehicle of philanthropy – emerging, alongside the Enlightenment, as 'a universal instrument of personal agency'. She makes her case by citing John Wesley's sermon on 'The Use of Money': 'let the world be as corrupt as it will, is gold or silver to blame? . . . The fault does not lie in the money, but in them that use it' (Valenze 2006: 260–61). Victorians, living in the overlapping shadows of the Enlightenment and evangelical Christianity, evolved new ways of thinking and writing about money as a measure of personal character, entailing an endless drawing and redrawing of boundaries between its use and abuse. In the process, they preserved ample space in which its pungent toxicity was seldom far from view.

Money came into its own in the nineteenth century as a measure of reward and punishment for social behaviour. 'Money is a terrible blab', as Edward Bulwer Lytton put it; 'she will betray the secrets of her owner whatever he do to gag her. His virtues will creep out in her whisper – his vices she will cry aloud at the top of her tongue' (Lytton 1868: 62). As self-assured participants in a cult of saving, Victorians measured their worth by reading stock market indices, bank deposit books, and Post Office stamp books. At one end of this extreme, the term *millionaire* entered the English language from the French at the beginning of the nineteenth century, and soon became a commonplace for 'a man of great wealth' (Ogilvie 1884, III: 171). At the other, advocates of thrift equated virtue with an incremental storing up of 'small sums . . . wisely laid up for the day of trial' (cited in Payne 1967: 172). Insurance companies further monetized life by precisely calculating the payments that were necessary for breadwinners to provide for their dependents if they suffered an untimely death.

Money – or rather, its absence – also increasingly signified punishment in the Victorian period. Bankruptcy, as Barbara Weiss has argued, was 'the hell of the English', in Victorian novels as well as in everyday life. A series of laws passed between the 1840s and the 1880s, attaching penal sanctions to unpaid loans, arose from a consensus that debt was subversive of 'national morality' (Weiss 1986: 33–34; see Finn 2003: 152–93), and riches-to-rags stories garnered at least as much celebrity as their converse (Evans 1859). In this new moral economy, bankers and insurers warmed to the task of presiding over personal worth. Bank managers bragged that their loans enabled 'men of good motives' to 'obtain *rank* or *cast* in the town' (Alborn 1998a: 107). Taking a page out of evangelical sermons (which, as Callum Brown has argued, were themselves subject to a 'salvation economy' that hinged on new assumptions about consumer choice), insurance salesmen told melodramatic tales of uninsured providers on their deathbeds, who rued their failure to turn their lives into financial sufficiency for their loved ones (Brown 2001: 35–57; Alborn 2009: 148–57).

A survey of moral connotations of gold, the tangible basis of Victorian currency and a frequent symbol of wealth in all its aspects, provides a convenient accounting of the era's ambivalent perspective on money more generally. Defenders of a gold-backed currency referred to it as a 'sacred standard' since it provided 'an impartial measure of value, common to all goods' (Hilton 1988: 127), but gold symbolized earthly reward as well. Gold medals, boxes, cups and plates weighed down the mantelpieces of successful Victorians in arenas ranging from scholarship to art, horticulture and horseracing. The Royal Society of Arts annually issued dozens of gold and silver medals in order to entice invention; reports always included the worth of each medal (typically 30 or 50 guineas) and the Society always offered inventors the option of accepting the cash value. Starting in 1864, it honoured the top innovators of the era with a memorial Albert Gold Medal: the first went to Rowland Hill for the penny post, and other recipients included Michael Faraday, Charles Wheatstone, and Justus von Liebig (Becker 1875: 67–68).

Victorians found ample biblical testimony that God approved of their choice of gold as an arbiter of worldly worth. Although gold in the Bible could be corrupted and cankered, it also shone as a symbol of purity, incontestable truth, and inestimable value. When evangelists sought support for their frequent claim that 'afflictions are the appointed lot of the family of God', as J. C. Philpot did in a letter to a friend in 1860, they appealed to the metaphor of 'a furnace in which gold and silver are refined': in the 'spiritual furnace', Philpot concluded, the 'dross and scum of our evil hearts' gave way to 'the pure gold of faith' (Philpot 1871: 281). As the pavement of choice in heaven, gold took on new meaning in Victorian sermons and hymns as its earthly availability increased. *The Christian Emigrant's Guide to Heaven* described that destination's 'abundance of fine gold . . . that dazzles ten thousand Perus, and Ophirs, and Californias, into the shades of everlasting darkness' (Dodsworth 1853: 83).

Yet if on one side of the balance ranged a phalanx of biblical metaphors linking gold to purity, honour, and virtue, on the other side rested the vices of avarice, miserliness, idolatry, and greed. Avarice was an age-old theme in English letters, including Mr Money-love in Bunyan's *Pilgrim's Progress* and Shakespeare's rebuke of 'glittering gold' in *Timon of Athens*. Victorians energetically diverted these tropes to their favourite targets of moral outrage, including child labour, slavery, and financial speculation. The radical Tory Richard Oastler spent the 1830s accusing factory owners of pretending a 'false assumed Christianity which suffers Moloch to grind factory children as the grist, to amass dirty heaps of filthy gold' (Anon. 1835: 14); abolitionists, from whom he stole most of his best material, had by that point spent decades recycling and elaborating William Cowper's reference to planters as 'slaves of gold' in 'The Negro's Complaint' (Cowper 1800, I: 333).

As abolitionism and factory reform receded into the mists of solved or forgotten problems, financial speculation took their place as a focal point of public censure. In discussing this more ambiguous symptom of avarice, which rested somewhere between gambling and investment in Victorian reckonings (Itzkowitz 2009), they tempered their condemnation with the more neutral discourse of medical diagnosis. An 1867 treatise on 'the nervous system and its derangements' identified 'the lust of gold' and 'the mad desire to accumulate wealth' as 'fertile sources of nervous disease, too often eventuating in insanity' (cited in Beddoes 1890: 164). Victorians passed the same judgment on misers, whose avarice drove them to the opposite extreme of saving money to an unhealthy degree. The author of *Lives and Anecdotes of Misers; or, The Passion of Avarice Displayed* distinguished the miser's 'senseless fondness for the yellow metal' from the frugal man's virtuous desire 'to refrain from useless expenditure' (Merryweather 1850: 37–38).

A close relative of avarice was idolatry, or what Thomas Carlyle called 'Mammon-Gospel' (Carlyle 1847: 146; see Herbert 2002: 188–89). Perhaps the most enduring biblical idol was the golden calf, which Moses's followers forged out of their melted-down jewelry while waiting for him to descend from Mount Sinai. Victorian religious writers eagerly invoked this story as a lesson for modern-day mammon worshippers, when they were not using it to deride Papists and Jews.[2] But golden calves made numerous secular appearances as well. James Fennimore Cooper named the wealthy English narrator of *The Minikins* Sir John Goldencalf; Douglas Jerrold skewered 'the Order of the Golden Calf . . . a lean-faced, low-browed, thick-jowled, swag-bellied brotherhood . . . cased in the magic mail of impenetrable Bank-paper' (Jerrold 1852: 322); and several Victorian novels bore the title *The Golden Calf*. One of these recounted the rise and fall of the railway speculator John Snobson (the millionaire George Hudson in paper-thin disguise), for whom his shareholders raise a huge subscription shortly before his financial empire crumbles. 'Their filthy lucre', concludes the author, 'which might have been purified by passing through the waters of Charity . . . ran in the common sewer of national cupidity, till it reached the great cloaca of corruption' (Anon. 1849, II: 248).[3]

At the heart of most such depictions was an indictment of Victorians, by their angry peers, of barefaced hypocrisy. John Ruskin and Thomas Carlyle earned much of their celebrity by exposing Britain's dual worship of God and gold. 'The writings which we (verbally) esteem as divine', Ruskin declaimed in '*Unto This Last*', 'not only denounce the love of money as . . . an idolatry abhorred of the Deity, but declare mammon service to be the accurate and irreconcilable opposite of God's

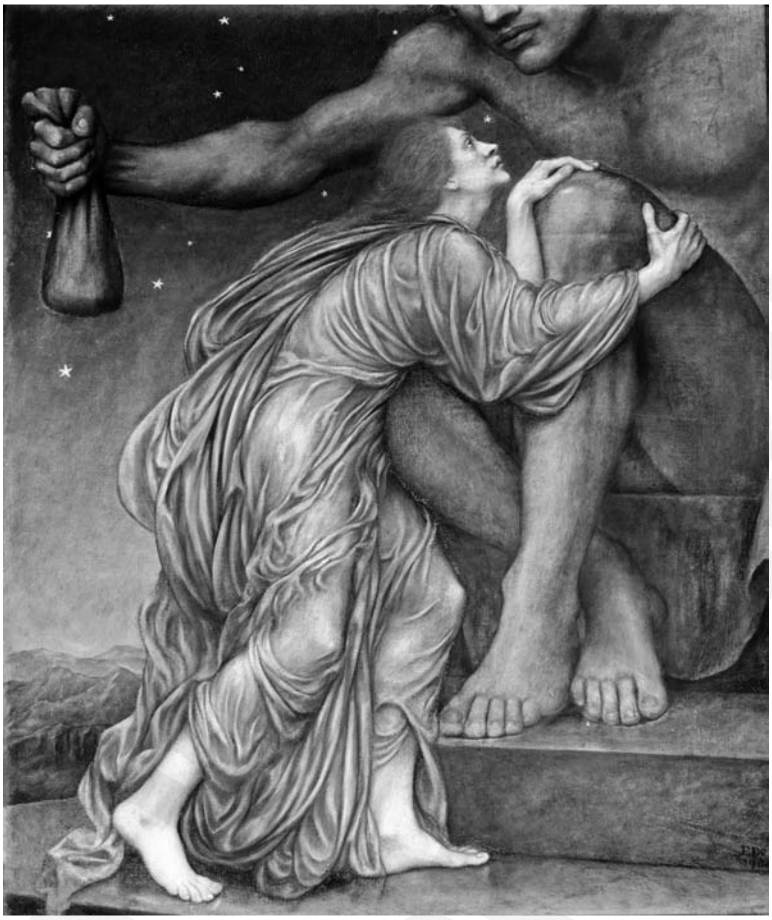

Figure 11.1 The Worship of Mammon, 1909 (oil on canvas), Morgan, Evelyn De (1855–1919)/© The De Morgan Centre, London/ The Bridgeman Art Library

service' (Ruskin 1881: 88–89). Carlyle took a more nuanced, if ultimately no less bitter, view. The 'supreme triumph of Cash', he observed, required a 'changed Aristocracy' (Carlyle 1858: 36). Elsewhere, he compared false heroes with forged bank notes: 'we can do with some . . . but not with all, or the most of them forged! . . . the notes all being false, and no gold to be had for *them*, people take to crying in their despair that there is no gold, that there never was any!' (Carlyle 1841: 19).

Mainly, though, Victorians were more inclined than such jeremiads would suggest to take the evil that money wrought with a grain of salt – or a grain of gold. The Methodist author of *The Successful Merchant* (1852) echoed Wesley when he contrasted 'gold which rusts and cankers' with 'gold well gotten', which was 'bright and fair' (Arthur 1885: 207). In a similar vein, the goal of a mid-century collection of prize essays entitled *Gold and the Gospel* was to survey 'the scriptural duty of giving in proportion to means and income' (Anon. 1871: title page). More generally, most Victorians were quite content to live with the ambiguity that their chosen standard of value implied. This was the bemused stance of Grant Allen in the *Cornhill Magazine*, who referred to gold as 'the medium of exchange, the enemy of virtue, and the chief standard of value in all civilized countries' (Allen 1887: 38).

What held for gold also held for the superstructure of bank notes, cheques, and other credit instruments that rested on its base. Patrick Brantlinger has charted the efforts of Victorian novelists to render money more reliable by diverting its sordid side from financial and political institutions, to tales of extravagant personal vice or foreign (including Jewish) caricature (Brantlinger 1996: 140–46, 154–59). Dickens delivered immortal indictments of Merdle, Fagan, and Scrooge, but he also referred to the Bank of England in tones that ranged from 'gently mocking' to 'fulsomely patriotic and even quasi-religious' (Brantlinger 1996: 160). Christopher Herbert has likewise aptly linked 'the incurably paradoxical self-contradicting character of Victorian money' to the era's 'devotion to the principle of closing its eyes systematically to unwelcome realities' (Herbert 2002: 193, 186). As Dickens's praise of the Bank of England suggests, an important consequence of Victorians' ability to live with money's contradictory character was that most of them stopped well short of making connections between personal moral failings (as measured in the abuse of money) and institutional culpability. As a result, outcries against filthy lucre seldom interfered in any significant way with the titanic expansion of monetary instruments and institutions throughout British society and across the British Empire over the course of the nineteenth century.

CIRCULATING COIN AND PAPER: MONEY AND SOCIAL CLASS

In 1862 the humourist John Hollingshead repeated Peel's question: 'What is a Pound?' – this time as 'a currency allegory'. The allegory involved two 'ordinary dustmen', Daisy and Crabshells, whose occupation brings them into contact with 'a tarnished sovereign', and who spend the rest of the story first ascertaining its identity, then its worth (Hollingshead 1862: 83–84). Since commodity culture was largely illegible to these illiterate dustmen, they barely notice the 'glaring placards appealing to this pound', asking it to 'insure its life against all accidents', to use 'a particular kind of pickle', or to wear 'the only trouser that was considered elegant' (Hollingshead 1862: 86–87). Instead, they wind their way uncertainly from shop to shop, testing the coin's 'purchasing capability' against the divided forces of stationery, heraldry, kitchenware, fine china, menswear, and tea. Bewildered and exhausted, they settle down for 'supper an' a drink': a full meal for four silver shillings, followed by a 'novel punch' comprised of sixteen shillings' worth of port, champagne, and enough beer for it to taste 'more like beer'. Spent, they return to the street, having 'opened the gates of knowledge, variety, and plenty' with their 'golden key' (Hollingshead 1862: 95–96).

This humorous answer to 'What is a pound?' taught that money carried vastly different meanings and manifestations for Victorians depending on their social class. This hardly meant that they were oblivious to money – not least in regard to the coin that jingled in their pockets. Regarding the availability of trustworthy coin, Victorians enjoyed a distinct advantage over preceeding generations, starting with shillings and crowns. A sufficiency of shillings, in fact, was one of the primary aims of the Coinage Act of 1816. Besides declaring gold to be legal tender, this law required the state to mint silver coins that circulated at less than face value and hence were not liable to being melted down and exported as bullion. New steam technology enabled the mint to stamp shillings that were less prone to being counterfeited, and rectified an endemic shortage that had long been a source of embarrassment to British officials (Quinn 2004: 152–53). Joining the shilling as token coins were crowns (five shillings), half-crowns, and sixpenny and threepenny pieces (all silver); and pennies, half-pennies, farthings and half-farthings – which went from being copper to bronze in 1860 (Poovey 2002: 7–8).

Turning from token currency to sterling, the Coinage Act also introduced a new gold coin, called the sovereign, which (valued at 20 shillings) succeeded the slightly heavier guinea (worth 21 shillings). The name was not new – sovereigns, worth between ten and 22 shillings, had circulated under Tudor and Stuart monarchs. Nor did guineas entirely disappear: as denominations, if not as actual coins, they remained 'dear to the hearts of all professional persons, and revered by the collectors of charitable subscriptions' (Anon. 1896: 814), and a 'hundred guinea brooch' was the centerpiece of Anthony Trollope's *The Eustace Diamonds* (Trollope 1876: 114). As for the sovereign, its history during the Victorian era physically embodied the transition from the fiscal restraint of Gladstonian Liberalism to the imperial ambitions of late-century Conservatives. After Tories paid for a recoinage in the 1840s, Liberal politicians awkwardly stood by during the next four decades while wear and tear reduced nearly half of all circulating sovereigns to below their legal weight. Finally in 1891, Unionist Chancellor of the Exchequer George Goschen paid for another recoinage – in the process replacing the young Victoria's effigy with a more realistic middle-aged portrait (Alborn 1998b).

As coin circulated throughout Victorian Britain, a rich vocabulary accompanied it. One slang dictionary from 1874 counted more than 130 slang terms for money, both as a general term (including *chink*, *feathers*, and *needful*) and applied to specific coins: no less than 17 terms for sixpence (including *kick*, *cripple*, and *tizzy*) and 11 for a shilling (*breaky-leg* and *twelver* as well as *bob*) (Hotten 1874: 61–63). This fecundity of names accompanied a stable set of state-issued coins, all with images of Queen Victoria stamped on their faces – in stark contrast to the diversity of token and foreign coins that had once circulated in Britain. Although paper money (fixed at a five-pound minimum in England) increasingly bore the Bank of England's stamp in the nineteenth century, some provincial banks continued to issue their own notes into the 1920s (Mathias 1969: 356). Scots, for their part, fiercely held onto their right to exchange one-pound notes (Rowlinson 1999).

In addition to bank notes, an expanding variety of other credit instruments made their influence felt through all classes of Victorian society. The most spectacular of these were the stocks and bonds that fueled the meteoric rise of railways and other public companies starting in the 1820s. Compared to the eighteenth century, when investment was primarily limited to the aristocracy and the 'monied interest', and consisted in government bonds and a few chartered company shares, a wider variety of stocks came within the reach of more people after 1820. New stock exchanges formed in 1836 in Manchester and Liverpool to meet the provincial demand, and the financial journalist David Morier Evans captured the popular perception that mid-century speculation extended 'from the peer to the peasant' (Evans 1849: 52). Even those who did not actually handle credit in its more rarified forms could read about it in novels and news accounts that attracted readers with the promise (never fully delivered) to demystify the money market (Poovey 2002: 11, 25–32). A new demand for this form of knowledge, in turn, blurred lines between fact and fiction, as writers such as Evans borrowed narrative strategies from novelists – and vice versa, for novelists such as Charles Reade – in order both to dramatize and naturalize the workings of the new credit economy (Poovey 2008: 243–75, 324–28).

Less spectacular forms of credit reached even further into Victorian society. Banks, which seldom paid interest for deposits before 1850, began to compete for this business as they extended branches throughout the country. Around the same time, life insurance companies popularized the practice of paying 'bonuses' to policyholders, who thereby shared in the interest generated by their premiums. Farther down the social scale, savings banks and friendly societies emerged as vehicles of investment, sponsored by charities, trade unions, and the government. By 1914, the combined forces of bank deposits, insurance premiums, and self-help subscriptions added more than £2 billion to the capital market (Alborn 2009: 167). Besides acting as creditors for the first time, Victorian working people also borrowed in newly formal ways. Building societies turned credit into a variant of self-help, pawnbrokers mushroomed in industrial cities, and shopkeepers formed 'guardian societies' to help regulate the vast spread – and frequent abuse – of retail credit (Tebbutt 1983; Finn 2003: 289–306).

The various forms of money that changed hands in Britain reflected the complex amalgam of local, regional, cosmopolitan, and national identities that marked the Victorian era. Money retained distinctive local meanings when people translated denominations into local dialect, and domestically circulating credit (whether in the form of privately issued bank notes, bills of exchange, company shares, or pawn tickets) often bore a local or regional stamp. As bullion, money was cosmopolitan, as were the foreign and colonial bonds that became increasingly prominent features on the London Stock Exchange by the end of the nineteenth century (O'Connor forthcoming). In most regards, however, Victorian money operated as a nationalizing agent, replacing locally minted tokens and regionally circulating paper with state-minted coins and Bank of England notes, and reinforcing distinctions among nations. Although a world war sharpened the economist Alfred Marshall's appreciation of these developments, his observation was accurate enough as a description of the late nineteenth century: 'national currency has been a chief symbol of national unity . . . as metallic money has yielded precedence to modern instruments of credit, national trade has focused itself around the national banking system . . . [and] all have been associated with the national purse filled by common effort and devoted to the attainment of national ideals' (Marshall 1923: 9–10).

Like national identity, money marshalled an array of arbitrary symbols that commanded value, and like national identity it found increasingly firm institutional bases in the nineteenth century. Karl Marx was thus doubly confounded when he referred to money as 'only the appearance of matters' and predicted that the nation-state would wither away with the triumph of capital (Marx 1959, III: 337). As more Victorians came to grip money, they came to grips with its meaning as mediated by instruments of credit, financial institutions, and a wide array of cultural productions. This rendered them less inclined to follow Marx in piercing the appearances and seeing what he defined as the real essence of value – the product of their own labour. The peculiar quality of money itself, as both a thing and a sign, reinforced this inclination (Ingham 1984: 84–95). It also enabled Victorians to accomplish something else that Marx assumed to be unlikely to survive as capitalism matured: the capacity to pursue simultaneously, if uneasily, the largely contradictory dictates of Christian morality and the pursuit of wealth.

POLITICAL ECONOMY: GOLD, TRADE, CREDIT

Robert Peel's definition of a pound in 1819 as 'a definite quantity of gold bullion', which he would repeat in 1844 by way of supporting new legislation that extended the gold standard's reach, was not wholly accurate when he first uttered it. Prior to 1797, when the Bank suspended cash payments, its customers could demand either silver or gold in exchange for their notes; the fact that they asked for the latter stemmed from the artificially low price of silver relative to gold that had been in effect since 1696. Not until 1816, in anticipation of the resumption of cash payments, did Parliament officially declare gold to be the nation's only legal tender for all transactions exceeding 20 shillings (Quinn 2004: 152–53). Once cash payments resumed in 1821, the Bank of England was legally liable to exchange its notes for gold bullion at a rate of £3 17s 9d per ounce (just over five ounces of gold for every £20 note). Since most other banks, by that time, held Bank of England notes in reserve against their paper currency, the Bank performed the role of backing the nation's supply of paper money with its gold reserves. For most of the nineteenth century, it held ample reserves for this purpose. The main exceptions were times of 'overtrading' (when lenders issued an excess of paper money and other forms of credit) and sudden drains of bullion in exchange for grain in times of dearth.

The main argument in favour of the gold standard was that no other basis would be as successful at providing stable prices, which politicians wishfully associated with stable social and political relations. And compared to other economies in the nineteenth century, and other periods in British history, prices were at least relatively stable throughout the Victorian era. They fell from inflated wartime levels by an average of 5 per cent per year in the decade after Waterloo, and continued to decline through the torpid 1840s. They proceeded to rise by around 2 per cent per year between 1849 and 1873, fell by the same amount during the 'Great Depression' of 1873–96, and recovered once more in the years leading up to 1914. Compared to countries that spent most of the century off the gold standard – such as Austria, Russia and China – this generally qualified as stable. Defenders of the gold standard could also point to the much greater price fluctuations that had accompanied inconvertible paper during the Napoleonic Wars – an 80 per cent increase in Britain and astronomical inflation in France (Ferguson 2001: 147, 328–30; Davis 2002: 305).

Although swings in the value of the pound never shook Britain's faith in the gold standard, they did generate recurrent criticisms. The inflationary consequences of a weak pound drew the ire of creditors, who received interest payments in devalued currency: these included bankers, holders of public debt and (to the extent that tenants paid fixed long-term rents) landlords. A strong pound, coinciding with a tight money supply, favoured financiers throughout the nineteenth century. It also favoured export-oriented manufacturers by reducing the cost of wages and imported raw materials, but only when they had enough comparative advantage over foreign rivals to overcome the high prices that their goods fetched abroad – and this ceased to be the case after 1870. It punished farmers, especially after the repeal of the Corn Law, by increasing rental payments and reducing the price of rival grain imports. Throughout the century, the effects of fluctuating prices on workers were mixed, and endlessly debated: a strong pound kept prices low but accompanied high unemployment; and although jobs were easier to find under inflation, consumer price increases tended to outstrip wage increases.

Critics of the gold standard targeted three sources of price instability: gold supplies, the value of gold relative to silver, and the role of credit in the economy. Complicating any such diagnosis was the problem that swings in economic activity (which came to be known as the business cycle) were both causes and effects of changes in money supply. A booming economy typically accompanied inflation, trade depressions were deflationary, and it was seldom possible to disentangle cause and effect. Politically, however, it was always more convenient for critics to target a state-mandated monetary standard or the arbitrary actions of Bank of England directors, since these could theoretically be remedied.

The most easily comprehended monetary cause of price instability concerned the amount of actual gold bullion that existed in the vaults of the Bank at any given time. War and a sudden demand for imports drained the country of gold, while new supplies had the potential to swamp it. Until the very end of the Victorian era, the impact of war on money supply mainly existed in people's memory of rising prices and a booming economy during the Napoleonic Wars. Because postwar deflation persisted into the 1840s, many merchants who had prospered during the war condemned the gold standard as unfairly privileging Britain's public creditors over their own interests. Indeed, one of the state's main incentives for getting inflation under control had been to reward its creditors with repayment in full-value currency (Hilton 1977: 63–65). This promise rang hollow to middle-class radicals like the Birmingham banker Thomas Attwood, who had made a fortune lending paper money to arms manufacturers during the war, and who complained loudly and frequently to Peel after the war that 'the pressure of the standard of value' was 'crushing . . . both workmen and employers under its burthen' (Attwood 1837: 3–4).

A demand for imports reduced gold supplies only in exceptional circumstances. The primary function of gold in British trade had always been to balance accounts; and although Britain suffered a growing trade deficit in the nineteenth century, this was usually offset by income from foreign investment, shipping, and insurance – without which surplus the gold standard would have been unthinkable (Mathias 1969: 303–8). The only exception to this rule occurred during bad harvests, when grain-exporting countries (mainly Prussia and Russia) demanded their ransom in bullion. In 1838–39, grain imports drained the Bank of upwards of £10 million in bullion, which prevented it from extending credit at a time when manufacturers needed it most (Mathias 1969: 230). The money supply thereby took centre stage in the debate over the Corn Law, which had been in effect since 1815. Protectionists argued that bullion drains would be a regular occurrence under free trade, while their opponents countered that a 'steady trade' with grain-producing nations, which was impossible under the Corn Law, would, 'instead of draining your coffers, give fresh life and spirit to your manufactures' (Elliot 1841: 8). Distracted by grain prices, relatively few contemporaries noticed that the newly strong pound had made British exports so expensive that Americans, who normally absorbed a large share of British textiles, were unable to spend their way out of a commercial depression of their own between 1836 and 1843 (Kelly 1840: 48).

The only remaining strictly monetary cause of British price instability during the nineteenth century was world gold production, which remained relatively constant until the Californian and Australian 'rushes' of 1849 and 1852. Gold output, which averaged 42 tons per year in the 1840s, increased twentyfold in the succeeding decade, as waves of emigrants flocked to San Francisco and Melbourne (Ferguson 2001: 331). Those who had ascribed the Hungry Forties to Peel's deflationary monetary policies luxuriated in the influx of gold and the inflation they assumed would accompany it. 'Providence [has] revealed these hidden treasures to a suffering world' was how *Blackwood's Magazine*, long a haven for anti-hard money sentiment, greeted the Australian gold rush (Alison 1852: 203); another *Blackwood's* writer anticipated that the inflationary effects of the new gold would extend suffrage (since an £8 rental would now be worth £10), give 'wings' to railways and steam navigation, and open trade with India and China (Patterson 1863: 516–20). Politicians such as Peel, who had always defended their tight-fisted monetary policies on the 'natural' scarcity of gold, generally did not demur, since they had painted themselves into a rhetorical corner; but they did emphasize that inflation would be gradual and unlikely to disrupt business as usual (Fetter 1965: 242–46).

In fact, the inflationary consequences of the gold rushes proved to be relatively mild and remarkably short-lived. Part of the reason was that returns from the 'diggings' in California and Australia soon diminished. Most of the reason, though, was that Britain's two leading commercial rivals adopted the gold standard: first Germany in 1871 (after leavening its coffers with reparation payments following the Franco-Prussian War), then the United States in 1879 (after 17 years of using Civil War-induced 'greenbacks'). Although British onlookers routinely ascribed these conversions to national hubris – in Germany's case, its 'traditional policy . . . to obtain glory by following every road that leads to it' (Grenfell 1881: 942) – both countries had sound reasons to make the move. German industry relied on British loans, which were cheaper to repay in gold. Americans hungered for stable prices, much as the British had done after Waterloo, and a strong dollar made it easier to attract foreign capital to their growing manufacturing sector. The result, amplified by new American silver discoveries, was to drive up the value of gold relative to silver, and drive down British prices by 3 per cent a year between 1873 and 1886 (Eichengreen 1996: 17–19).

Even after others joined Germany and the United States on the gold standard (France and Scandinavia in the 1870s, followed by Russia and Japan by 1900), the Bank of England had little trouble attracting enough gold to back its notes.

Indeed, British financiers in general prospered between 1880 and 1914, as they shifted from home to foreign investment – since for the first time they could depend on most foreign loans being repaid in full-value currency. Not all sectors of the British economy were so fortunate, however. Farmers suffered from heavier mortgage payments, and manufactures watched with concern as demonetized silver swamped India and China. This wrought havoc in those countries, where imports became punishingly expensive and foreign investment vanished (Davis 2002: 303–5), but it also took its toll on British industry, which now had to contend with inexpensive Asian goods as well as 'cheap and nasty' German and American imports. In an attempt to balance the playing field, a robust bimetallist movement sprang up in Britain that 'achieved little or nothing, but . . . illustrated much' – not least 'a substantial increase in the importance of the banking and service sector' (Green 1988: 607). Prodded by City bankers, the Colonial Office efficiently dispensed with their complaints by placing India on a 'gold-exchange' standard, which pegged the rupee to the pound (Green 1988: 606).

A final potentially destabilizing force in the Victorian economy was credit, which destabilized the meaning as well as the supply of money. The most visible form of credit, and the most widely blamed in times of crisis, was the bank note. Up to 1825 in England, the Bank of England shared its right to issue notes with small firms limited to six or fewer partners. After a commercial crisis wiped out most of these, Parliament legalized English joint-stock banks, which circulated bank notes in the form of short-term loans. In exchange for these, they accepted (or 'discounted') bills of exchange – promissory notes backed by goods that merchants hoped to sell. By the middle of the century, 'discount houses' emerged to guarantee repayment of these bills, which worked well as long as the bill brokers made good on this promise. The largest of these, Overend, Gurney, controlled more than half of this business when it failed in 1866, bringing much of the money market down with it (Poovey 2002: 8–12).

Most economists had argued in the 1810s that restoring Britain to the gold standard would be sufficient to prevent such financial crises. When two successive speculative bubbles proved them wrong (first in 1825, then in 1837), they accused the Bank – and, in the latter crash, the new joint-stock banks – of excessive note issue. Those who held this view came to be known as the 'Currency School'; they generally opposed rapid economic growth and what they saw as its attendant moral depravity. The 'Banking School', mainly comprised of Bank of England directors, reimagined the Bank's role as that of using its prime lending rate to control the overall supply of credit; alone among early-Victorian monetary theorists, they presciently expanded their definition of money to include bills, checks, and bank deposits. A final 'free banking' school, representing the new joint-stock banking interest, argued that open competition among all note-issuing banks (as opposed to relying on an imperious Bank of England), would ensure steady, crisis-free growth (Alborn 1998a: 70–74).

The Currency School won the battle in the early 1840s, convincing Parliament to restrict the Bank's note issues in 1844 to £14 million beyond its bullion reserves. They lost the war to the Banking School, both in the short and longer terms. In the short term, the main result of the 1844 law was to force creditors to find other means of lending money than Bank of England paper – which they did with a vengeance, feeding a frenzied stock market that was glutted with projected railways. This led to a boom and bust in short order between 1844 and 1847, followed by another crash ten years later that mainly centred on American bills of exchange. By the time Overend, Gurney crashed in 1866, a new consensus on central banking policy was fast emerging, joining financial journalists, Bank of England directors, and joint-stock bank managers (Alborn 1998a: 74–79). Thereafter, the Bank prevented any major financial panics in Britain for the rest of the century – assisted in no small measure by joint-stock banks. Its most anxious moment came when Baring Bros., a major foreign lender, approached insolvency after making imprudent loans to Argentina. Pledges of £15m from London banks enabled a Bank of England bailout – the ultimate cost of which was outsourced to Argentine taxpayers (Alborn 1998a: 155–58).

Among other things, the Barings episode revealed that the cash nexus had become a global nexus by the end of the nineteenth century, linking Victorians with the world whether they liked it or not. Voluntary associations and the post office circulated money among working people and channelled their savings into colonial and foreign bonds. While life insurance companies waited for their customers to die, they used their monthly premium payments to finance high farming, urban renewal, and colonization. Meanwhile, banking congealed into a London-based triangle, with a few huge joint-stock banks in one corner, a few merchant banks in another, and the Bank of England at the apex. By 1900 the provincial banks Barclays, Midland and Lloyds had moved to the metropolis, joining two giant London banks that would later become NatWest; these 'Big Five' stocked their boards with prominent national politicians, who presided over branch networks that extended to thousands of towns and villages. Much of the capital they collected found its way abroad through private investment houses such as Grenfells, Rothschilds, and Barings, forging ties between the British population and the rest of the world that were both sturdy and nearly impossible to discern (Alborn 1998a: 146–47).

Discernment, when it came, tended to be refracted through moral sentiments and symbols. Hence in 1888, anticipating the need to replenish Britain's supply of sovereigns, George Goschen entered into negotiations with Queen Victoria over the inscriptions to be etched on the new coins. Victoria, who was uneasy about her role as leader of the Anglican Church, and was newly enthusiastic about her imperial dominion, asked Goschen to replace 'D.F.' (Defender of the Faith) with 'Imp.' Goschen demurred, pointing out that the latter was illegal under the Royal Titles Act. They ended up striking a compromise: D.F. remained, alongside 'Ind. Imp.' (Empress of India) (Alborn 1998b: 275–76). For the first time, this quarter-ounce of metal explicitly reminded Victorians of their location at the centre of a far-flung empire, while it continued to urge them to uphold a simultaneous faith in God and gold. The money that taught these lessons played a major role in supporting their institutional supports. By underpinning the terms of colonial trade, the pound sterling was as effective as its navy in reinforcing the sinews of empire. By forcing moralists to admit to virtuous uses as well as vicious abuses of wealth, Victorian money secured its status as a measure of worth.

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NOTES

1 Victorians who posed this question included Taylor 1844; Alison 1856, II: 380–401; Price 1861; Grenfell 1881.

2 See, e.g., Anon. 1844: 82; Anon. 1872; Buxton 1882: 201.

3 The author borrowed this incident from a real-life subscription raised for Hudson in 1845, and borrowed his outrage from Thomas Carlyle's essay 'Hudson's Statue' (1850): see Carlisle 1901: 254–92.